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April 24, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, Room 222
Washington, DC 20554

Re: Ex Parte

Price Cap Performance Review for Local Exchange Carriers CC Docket 94-1
Federal State Joint Board on Universal Service CC Docket 96-45
Access Charge Reform CC Docket 96-262

Dear Ms Salas:

On April 24, 1998 Paul Malandrakis, Bob Linticum, Dick Potter of AT&T and I met with R. Lerner, J. Scott, and C. Barnekov, of the Competitive Pricing Division of the Common Carrier Bureau. AT&T discussed the impacts of Price Caps, Universal Service and Access Reform on the interexchange industry beginning July 1, 1998. AT&T quantified the impacts of several scenarios as detailed in the attached charts.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two (2) copies of this notice are being submitted to the Secretary of the FCC today.

Sincerely,

Brian W. Masterson

Attachment
cc: R. Lerner
C. Barnekov
J. Scott

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Scenario Summary (\$Millions)			
	Base Case	Flat 3 and 4 Qtr	Switched @ 0
Second Quarter			
Schools	325	325	325
Rural Health Care	25	25	25
Total Socials	350	350	350
Assumptions for 3rd and 4th quarters:			
Socials 3Q	725	350	561
Socials 4Q	725	350	561
Results			
Per Minute Access Charges	(90)	(580)	(303)
USF Direct	607	23	365
Net Switched	493	(671)	0
USF Private Line	86	3	52
Net Industry	530	(716)	3

**Impacts of Universal Service/Access Reform
on Interexchange Industry
Base Case**

1-Jul-98

Per Minute Access Charges

PICCs	24
SLCs	(20)
Flowback	582
P-cap	(676)
Total Per Minute Access	(90)

PICCs	(24)
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Universal Service

USF Assessment - Switched*	607
Total Universal Service	607

Net Switched	493
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USF Assessment - Private Line	86
P-cap	(48)
Net Industry	530

*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98

Base Case**1998 USF Assessment by quarter***

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	136.0	136.0	522.6
Schools and Libraries	300.0	325.0	625.0	625.0	1,875.0
Rural Health Care Providers	25.0	25.0	100.0	100.0	250.0
Interstate only Assessment Rate	3.20%	3.15%	3.23%	3.23%	
Funding	559.4	556.4	570.1	570.1	2,256
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	1.57%	1.57%	
Funding	325	350	725	725	2,125
Revenues	44,914	46,093	46,093	46,093	183,192
Interstate combined rate	3.92%	3.91%	4.80%	4.80%	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	1,295.1	1,295.1	4,381.0
IXC Assessment	590.3	598.4	767.6	767.6	2,723.7
IXC-direct socials	137.0	147.6	305.6	305.6	
IXC- direct High costs/Low Income	453.2	450.8	461.9	461.9	
IXC Share + Flowback	785.7	803.0	1,117.3	1,117.3	3,823.3

*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

**Impacts of Universal Service/Access Reform
on Interexchange Industry
Flat USF 3 and 4 Qtr**

1-Jul-98

Per Minute Access Charges

PICCs	113
SLCs	(20)
Flowback	3
P-cap	(676)
Total Per Minute Access	(580)

PICCs	(113)
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Universal Service

USF Assessment - Switched*	23
Total Universal Service	23

Net Switched	(671)
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USF Assessment - Private Line	3
P-cap	(48)
Net Industry	(716)

*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98

Flat USF 3 and 4 Qtr

1998 USF Assessment by quarter*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	125.3	125.3	501.2
Schools and Libraries	300.0	325.0	325.0	325.0	1,275.0
Rural Health Care Providers	25.0	25.0	25.0	25.0	100.0

Interstate only Assessment Rate	3.20%	3.15%	3.17%	3.17%	
Funding	559.4	556.4	559.4	559.4	2,235
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	0.76%	0.76%	
Funding	325	350	350	350	1,375
Revenues	44,914	46,093	46,093	46,093	183,192
Interstate combined rate	3.92%	3.91%	3.93%	3.93%	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	909.4	909.4	3,609.6
IXC Assessment	590.3	598.4	600.8	600.8	2,390.2
IXC-direct socials	137.0	147.6	147.6	147.6	
IXC- direct High costs/Low Income	453.2	450.8	453.2	453.2	
IXC Share + Flowback	785.7	803.0	805.8	805.8	3,200.3

*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

**Impacts of Universal Service/Access Reform
on Interexchange Industry
Switched @ 0**

1-Jul-98

Per Minute Access Charges

PICCs	62
SLCs	(20)
Flowback	331
P-cap	(676)
Total Per Minute Access	(303)

PICCs	(62)
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Universal Service

USF Assessment - Switched*	365
Total Universal Service	365

Net Switched	0
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USF Assessment - Private Line	52
P-cap	(48)
Net Industry	3

*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98

Switched @ 0

1998 USF Assessment by quarter*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	136.0	136.0	522.6
Schools and Libraries	300.0	325.0	461.2	461.2	1,547.4
Rural Health Care Providers	25.0	25.0	100.0	100.0	250.0

Interstate only Assessment Rate	3.20%	3.15%	3.23%	3.23%	
Funding	559.4	556.4	570.1	570.1	2,256
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	1.22%	1.22%	
Funding	325	350	561.1758	561.1758	1,797
Revenues	44,914	46,093	46,093	46,093	183,192
Interstate combined rate	3.92%	3.91%	4.45%	4.45%	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	1,131.3	1,131.3	4,053.4
IXC Assessment	590.3	598.4	698.5	698.5	2,585.6
IXC-direct socials	137.0	147.6	236.6	236.6	
IXC- direct High costs/Low Income	453.2	450.8	461.9	461.9	
IXC Share + Flowback	785.7	803.0	985.6	985.6	3,559.9

*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

**Flat USF 3 and 4 Qtr
Reinitialization @ 9.3%**

1998 USF Assessment by quarter*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	125.3	125.3	501.2
Schools and Libraries	300.0	325.0	325.0	325.0	1,275.0
Rural Health Care Providers	25.0	25.0	25.0	25.0	100.0

Interstate only Assessment Rate	3.20%	3.15%	3.17%	3.17%	
Funding	559.4	556.4	559.4	559.4	2,235
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	0.76%	0.76%	
Funding	325	350	350	350	1,375
Revenues	44,914	46,093	46,093	46,093	183,192
Interstate combined rate	3.92%	3.91%	3.93%	3.93%	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	909.4	909.4	3,609.6
IXC Assessment	590.3	598.4	600.8	600.8	2,390.2
IXC-direct socials	137.0	147.6	147.6	147.6	
IXC- direct High costs/Low Income	453.2	450.8	453.2	453.2	
IXC Share + Flowback	785.7	803.0	805.8	805.8	3,200.3

*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

**Impacts of Universal Service/Access Reform
on Interexchange Industry**

Flat USF 3 and 4 Qtr

Reinitialization @ 9.3%

1-Jul-98

Per Minute Access Charges

PICCs	501
SLCs	139
Flowback	3
P-cap	(3,178)
Total Per Minute Access	(2,536)

PICCs	(501)
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Universal Service

USF Assessment - Switched*	23
Total Universal Service	23

Net Switched	(3,014)
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USF Assessment - Private Line	3
P-cap	(463)
Net Industry	(3,474)

*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98